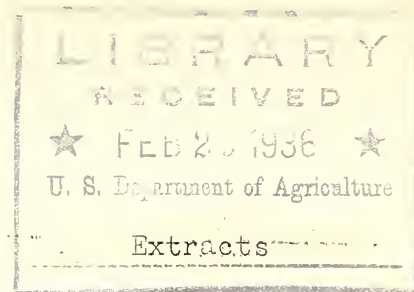


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Publication Extracts Which Present Diversified Viewpoints

On The Question

WHAT KIND OF LAND PRICES WOULD BE BEST FOR AGRICULTURE?

FOR THE NATION AS A WHOLE?

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Prices Must Be Viewed From Three Angles:--C. J. Brand

"To see the situation clearly, agricultural prices must be viewed at least from the standpoint (1) of the money price, (2) of price in terms of purchasing power of other products, and (3) of price in terms of purchasing power per acre. Now that we have reached the point where farming must be regarded more as a business than as a mode of living, we are brought face to face with the fact that there has rarely been a time in our recent history when the average earnings of farm lands in America justified prevailing land prices."

"Price Balance Between Agriculture and Industry" by C. J. Brand,
Reprinted from "The Future of Prices At Home and Abroad," Vol. XI, No. 2
The Proceedings, Academy of Political Science, Columbia University, New York City.

It Is Difficult To Place Real Farm Value:--Editorial, Illinois State Journal

"It is always difficult to say what is the real value of farm land--so many considerations of varying sorts enter into every transaction. Location, the character of the soil, the care that has been exercised in maintaining fertility, the use that is to be made of it; these are a few of the factors.

"Some farmers declare that ordinary farm land in which more than \$100 an acre is invested is a hazard. Unless it is in competent hands, it is likely to prove a liability."

"Worth of Farm Land"
Editorial,
Illinois State Journal,
September 24, 1935.

Very High Land Prices Do Not Help Farmers:--Henry A. Wallace

"Perhaps I can illustrate the nature of the problem by referring to farm land prices. Again and again during the past year I have noticed city people display a rather unusual interest in the purchase of farm land. Many people in Washington have bought farms, as have residents of New York, Chicago, and Kansas City. Some of them say it is a hedge against inflation. I know, however, that if this kind of thing keeps up, and spreads, it will not be many years before the farmers again get excited about land. If that happens, untold harm will be done, because neither land bank loans, low interest rates, nor an agricultural adjustment program can cure the evils of land prices which are out of line with the earning power of land.

"Let me say it again: No matter how good a job may be done by any agency either private or governmental, the value of their work can be lost within a very few years if farm land prices go beyond a certain point."

"Sometimes I think land speculation is a plague more terrible than drought or insect pests, and almost as bad as war itself. With it go high taxes, thoughts of moving to California, and delusions of grandeur. It has been 16 years since the last land disaster hit us, and only now are we beginning to recover. Doubtless farm land will be and should be somewhat higher in price than it is today. But if anything in the nature of a land boom comes during the next three or four years, the men on the land will be the ones ultimately to suffer. Unusually high land values never did help real farmers."

"Agriculture Looks Both Ways"

Henry A. Wallace,

Radio Address, November 1, 1935.

Farmers Must Organize To Stabilize Land Price:--Macy Campbell

"Loans on farm land at low rates, together with cooperative marketing to bring the farmer sufficient profits to pay off these loans, must act to increase the price of land to undesirable heights unless the farmer uses intelligent self-restraint in this matter. The stimulation of the price of land to a point where it cannot yield a reasonable income on the investment is as foolish as stimulating the production of a surplus at home which must be sold abroad at a loss. Some form of organization to stabilize the price of land in relation to the income it will produce on the investment will be highly desirable when the major farm commodities have been effectively organized for cooperative marketing. Intelligent stabilization of the price of land by farmers themselves must be worked out by a process which takes into consideration all the following factors: (1) a standard of living equivalent to that in urban communities; (2) a reasonable wage for the farmer and all the members of his family whose labor enters into the family's production; (3) the tax load on farm property; (4) the productive power of the land year after year.

"To hold the price of land at its true productive value as determined by all these factors, it may become necessary to check the tendency of nonresidents to buy land for the purpose of holding it for speculation. This may be accomplished by a special tax on land not operated by the owner."

"Rural Life at the Crossroads"

Macy Campbell,

Ginn and Company (Publishers),
1927.

Factors In Stabilizing Land Prices:--Karl Scholz

"In conclusion we may note a few of the more important influences which will contribute to continued stability in farm land values in the United States:

- (a) Stability in production and prices of agricultural products.
- (b) Wider diversification of agricultural production with a view to spreading farm risks; also discovery of new uses for agricultural products.
- (c) Improvements in agricultural methods and farm efficiency, with a view to lowering costs.
- (d) Lower marketing costs by extension of cooperative marketing, thus tending to decrease the disparity between the prices the farmer receives and the prices the consumer pays for farm products.
- (e) Lower burden of ad valorem taxes imposed upon farm real estate.
- (f) Better methods of assessment and more frequent assessments of farm real estate. The valuations thus determined for purposes of taxation should reflect more nearly a uniform relationship to actual farm earnings than is the case at present.
- (g) Adequate credit facilities for the farmers at reasonably low rates.
- (h) Wider dissemination of information to the farmers. In this connection the radio has already served a very useful purpose.
- (i) Further improvement in the methods of communication and transportation. The importance of good roads as a factor in conserving farm land values was emphasized in communications received from Commissioners of Agriculture in a number of states.

"All these factors will tend to stabilize farm land values in the United States in the future and establish them on a firmer value basis than that on which they have rested during the past fifteen years."

"Trends In Farm Land Values in the United States"

Karl Scholz,
From "Farm Relief",
Annals, American
Academy of Political and Social
Science,
1929.

Appraise Land On Fertility Of Soil:--Loren E. Donelson

"More accurate appraisal for farm loans based on the actual fertility of the soil rather than the local selling price or the condition and appearance of the farm buildings should be the program of all farm loan companies henceforth, is the opinion of most of the short course visitors * * * ."

"Land Valuation Short Course"
Loren E. Donelson,
Iowa Homestead,
May 16, 1929.

Kinds Of Soil A Criterion For Setting Price:--P. L. Gaddis

"Probably the most common mistake made by the buyer in setting a price on land is in not classifying it with respect to the various kinds of soil found on it. Perhaps a farm of 520 acres is priced to him at \$100 per acre. He may try to compare it with similar farms that have sold in that vicinity, but no two farms are exactly alike and besides, he may not be willing to pay the same price someone else has. If he is wise he will determine the different kinds of land on the farm and the probable income from each. He may find 100 acres of nice bench land that will pay with average crops and prices \$6 per acre rent; 100 acres of rolling cultivated land with some stones on it, land that must be seeded down rather often to keep it producing profitably and that will return an average yearly rental of about \$4 per acre; and 120 acres of rough pasture land that will rent for \$2 per acre, making an average total rent of \$1,250 per year.

"If the farm suits him and his family and the taxes are reasonable he may decide that we can afford to capitalize the rent at 5 percent and pay \$4,000 in addition for the buildings that could be replaced for about \$6,000. He accordingly decides that \$90 per acre is the right price, but if the farm is very well located and in good productive condition, he may not hesitate to pay the additional \$10 per acre if it is necessary to do so. On the other hand, if the farm has any drawbacks, such as poor location or high taxes, he will want to buy it, if he buys it at all, for less than \$90 per acre. When selling prices are uncertain, the man who bases his price on a conservative normal production will seldom go far wrong."

"A Policy For Nebraska Farmers"
P. L. Gaddis,
Nebraska Farmer,
February 16, 1929.

Economic Efficiency, Economic Capacity and Location
Factors In Value:--H. C. Taylor

"Farm land varies greatly in its economic capacity. The capacity of a given area of land is measured in terms of the number of units of

labor and capital which can be associated with it with optimum results at a given stage of industrial progress. The capacity of land is influenced by its topography, temperature, rainfall, texture, and the kind of crops grown. Clay loam usually has greater capacity than sandy loam, that is, a greater amount of labor and capital must be put up on a given area in order to secure optimum results in a given line of production. In other words, land with high capacity permits of a higher degree of intensity of culture in a given year in the production of a given crop than land with a low capacity. * * *

"Land varies not only in its economic capacity but also in its economic efficiency. The economic efficiency of land is measured in terms of the value of the product per unit of labor and capital expended upon it. The term 'efficiency' is here used in the same sense as it is used by the engineer who calculates the efficiency of his locomotive in terms of the power developed per unit of coal shoveled into the fire-box, the only difference being that here we are calculating the number of dollars' worth of product per dollar's worth of labor and capital put into the land. More briefly stated, efficiency is measured in terms of output per unit of 'input,' whereas capacity is measured in terms of input per acre of land.

"Capacity and efficiency are the two dimensions of productivity. If one would compare the productivity of two pieces of land it is not enough to know how much corn or other crop it will yield per acre; it is necessary to know the expense of the operation (the input) and the product per unit of expense. A piece of land might yield a large product per acre and yet class as relatively poor land because of the great expense of production.

"The product is always equal to capacity multiplied by efficiency, and in order to compare the worth of two grades of land one should ascertain the number of capacity units per acre and the efficiency per unit of capacity. * * *

"When a man contemplates the purchase of a farm, he wants extent of land with even topography and he wants this land to be fertile, but what is sometimes even more significant than these qualities is the location of the farm which he is to cultivate. In fact the physical and chemical characteristics of the land are greatly influenced by its location. Heat and moisture, and the character of the rocks from which the soil is formed vary greatly from place to place. But besides these variations in the natural conditions, there are variations in the social conditions which influence the production and sale of products. Large populations are in some places concentrated on small areas, leaving vast territories sparsely settled. This variation in the density of population may be explained, in part at least, in terms of variation in the physical environment, but our especial interest is in the effect and not the cause of this variation in the density of population.

The farmer who is near a great center of population, such as London or New York, can sell his products for the same price which is paid for like products which have been shipped great distances. Thus it is that of two pieces of land possessing the same physical productivity, or fertility, the farmer prefers the one located nearer a great center of population, because of the greater 'farm value' of the products."

"Outline of Agricultural Economics"
Henry C. Taylor 1931
MacMillan Company

Costs, Improvements, Some Profit And Saleability Create Value:--

Warren and Pearson

"A farm is not land. It is a living thing--a biological manufacturing plant including many kinds of equipment, and numerous expenditures for maintaining the continuity of production. The Census Bureau obtains the value of the farm and the value of the buildings. No data have been obtained on the value of other improvements. The mistake has been made of subtracting the value of the building from the value of the farm and calling the remainder "land." This difference is commonly used as an indication of what the farm is worth independently of the labor and expenditures made by the farmer.

"The error is very great. A growing wheat crop has required much labor, seed, and possibly fertilizer. The expenditures of starting the crop are in most regions from 10 to 30 per cent of the value of the land. A stand of growing clover or alfalfa has cost a large amount for labor and seed. A drainage system often amounts to 10 to 50 per cent of the value of the land. When wells, windmills, orchards and innumerable other things are included, it will be observed that what is called farm land includes an endless variety of things largely created by man. As science progresses, farms are less and less the creation of Providence, and more and more man-made.****

"When profits in farming increase, a portion of the increase is reflected in land prices, but only a portion. The first effect is a rapid increase in wages. Later, a portion goes to land prices. When a farmer prospers, he shares his prosperity with the hired man, country doctor, school teacher, banker, and merchant, and he raises his own standard of living. Only a portion is left to raise land prices.***

"Land values are due in part to incomes derived from operation and in part to expected possibilities of sale. Farm lands are not held out of use when it would pay to operate them. Lands that cannot be profitably used still have a market value and pay taxes. The price

of such land is based on the expectation that it may later be possible to sell it at a profit. A large part of the price of cheap land is based on the hope of a sale rather than on productivity. For this reason it is usually difficult to pay for lands that are near the margin by farming them. The case is similar to a useless horse. Nearly every horse has a trading value although he may be a detriment to the person who keeps him."

"Prices"

G. F. Warren, F. A. Pearson
John Wiley and Sons
1933

Productivity Cannot Be Made The Basis For Appraisal:--University of
Minnesota Bulletin

"Many persons consciously or unconsciously assume that the only scientific basis for land appraisal is the productivity of the land. While it is true that land derives its value solely from its products, and, therefore, its value must be proportional to the value of its product, nevertheless its productivity can not be made the basis for its appraisal, for several reasons, as follows: (1) The product of land is perpetual and no one can forecast the amount or value of it or determine the present worth of future products. To determine the present worth, one must know the rate at which land income is capitalized now and in the future. (2) The product required is net product, and to obtain net product, one must have costs of production. Several of the important costs of production, such as value of family labor and wages of management and responsibility-taking, can not even be estimated. There is a very wide range in net product on different farms if the profits of farmers are included in net product. Also many costs of production, such as taxes, fertilizers, wages, are likely to be different in the future. (3) It is impossible to determine the income from farm land from its use as residence and all the elements of psychic income associated with this. For all these reasons, no reputable scientific method of appraisal can be based on productivity.****

"To explain the significance of local differences in land, we must understand the basis of land values. Land has value because it produces an income in the form of materials or services that satisfy human wants. The income may be material or psychic or both. The material income appears in the products of the soil, the psychic income in wants directly satisfied by it, such as the want for a site for a home in a good neighborhood on a good road near a city or village.

"Land yields these incomes in perpetuity. The value of a piece of land is the present worth of its incomes in perpetuity.***

"The prevailing opinion as to future incomes, therefore, plays a large role in determining land values. Land values never represent present earning power capitalized. Different farmers and real estate men have greatly varying ideas as to the future of land incomes. However, to the extent that the land market is a perfect market, one level of opinion as to future income becomes the market level, and those who have a less optimistic idea of the future either do not buy or sell too cheaply, or perhaps sell for more than they think their land is worth.***

"To analyze market prices successfully, one must follow up the channels of thought of those who make the market prices. A good appraisal system for land should analyze as the market thinks. Practical men will go further and say that the only method by which land can be appraised is to call in several men of good sense and judgment and let them analyze in the manner of prospective buyers; in other words, make "an experienced guess." Such men are given to saying that "every farm is a thing by itself," and that therefore it is impossible to combine a large number of farms in one analysis and obtain any results worth while. Modern statistical science, however, does offer a workable method of doing this. If accurate measures of the factors influencing land values can be obtained, it is entirely possible by tabulation and partial and multiple correlation methods to determine the weights or significance of the various factors. These are the methods used in this investigation. They are described in detail later.

"In every territory the factors which influence value are somewhat different. In the section studied, the following factors were considered: (1) The 1919 depreciated cost of buildings per acre; (2) land classification, or the amounts of the different types of land; (3) productivity of the soil, represented by relative crop yields; (4) distance to market; (5) type of road; (6) size of market town."

"Sale Prices as a Basis for Farm Land
Appraisal" - University of Minnesota
Technical Bulletin No. 9.

Buying Land For Price Rise Is A Gamble:-- H. C. Filley.

"When land sells at \$300 per acre the returns must necessarily be large in order that the investment may return a fair rate of interest. If we figure interest at 5 per cent, insurance and depreciation on buildings, and real estate taxes at 1 per cent, then the land must return a net income of \$18 per acre, or \$2,880 per quarter section, in order for the farmer to break even.

"He should certainly receive wages at current rates for the labor of himself and family. It is not difficult to see that prices must be high and yields good if he is to receive a true profit upon the products of such high priced land.***

"Speculating in land is better than buying mining stock or betting on the ponies--it gives one a longer wait for returns and therefore he gets more thrills out of his money. Buying land to hold for a rise in price must be considered as a speculation, because no one can be sure that there will not be a decrease in the price of farm products, which in turn will cut down land values."

"Why Land Has Risen in Value"

H. C. Filley

Iowa Homestead

August 7, 1919.

Work, Not Land Prices Must Be Relied Upon For Agricultural Profit:

--A. P. Chew

"Every piece of land has its point of diminishing returns, its margin beyond which earnings will not sustain increased valuations. In newly developed regions, where experience has not yet demonstrated the location of that point, an experimental period will invariably place it too high, and establish a proportionately false level of farm valuations. It is this mistake which the West is now painfully trying to correct.

"In a sense, therefore, the agricultural problem is a phase of the perennial conflict over the division of earnings between capital and labor. As more and more people demand access to the soil, the farm realty market becomes essentially a seller's market, in which sale contracts between those who own land and those who wish to use it grow progressively more unfavorable for the latter. Protection cannot come except through a correct approximation, reached only after much groping, as to what land is actually worth. Land acquired on terms that properly reflect its current and prospective earning power allows the former owner his due, without unfairly mulcting the new owner, who has then some hope of getting a decent reward for his labor, and a return on his own capital equal to the return he pays on the capital he borrows. But when the buyer agrees to pay a seriously inflated price, he is a hopeless vassal--unless someone comes to his rescue or he escapes through the bankruptcy court.***

"At bottom, the salvation of the working farmers lies in getting them to realize that hereafter, in most regions, work rather than rising land values must be relied on for profit in agriculture. Their future lies with labor income rather than with unearned increment. General appreciation of that truth would restrain competitive bidding for land, and help to prevent landlords and mortgagees from grabbing too big a share of the national farm income."

"The Agricultural Depression"

A. P. Chew

New Republic

June 13, 1928

Land Prices Based On Abnormal Earnings Are Like Watered Stock:--Farm Journal

"With the return of normal conditions, considerable dissatisfaction is likely to result if farmers find that they are unable to secure a reasonable return on their investment in land at boom prices. The present marking up of land prices on the basis of abnormal earnings, is something like the watering of stock by a corporation which has been earning a large return on its initial investment; and the corporation which claims that its products should sell at a price sufficiently high to pay dividends on this watered stock has been sharply criticized."

"Danger in Rising Land Prices"
Farm Journal
November 1919.

A Land Boom's Cause And Effects:--D. L. Wickens

"A land boom is generally characterized by rising farm prices, increased farm income, and the anticipation of further increases in income, followed, after a year or two, by the capitalization of this real and expected income into land values which appear to be warranted on the new basis of expanded receipts. Generally the land boom is accompanied by many evidences of agricultural prosperity. Credit is easily obtained on the basis of the rising land values, farm equipment is provided, and farm building is undertaken on a much enlarged scale. When extensive borrowing for the purchase of land and other purposes finally exhausts the available credit supply, the rising trend of values is checked and depression begins. The decline from the peak is accompanied by a stagnant market for farm lands, difficulty in obtaining loans, and shrinking farm income. This entails a contraction of farm expenditures and enforces economy in the farm operations and the family living. Buildings are neglected, the standard of living is lowered, children are taken out of school, other sacrifices are made, mortgage interest and taxes fall delinquent, foreclosures become common, and in a large proportion of cases disruption of the family establishment results.

"An alternative to this unpleasant picture is that of more uniform land values, with limited fluctuations in land prices from one period to another. This situation is accompanied by less debt, less delinquency and foreclosure, and an uninterrupted course of farm production in which past gains are retained; the fixed charges of interest and taxes do not weigh unduly against the living standard for the farm family. Under this alternative course of economic events the use of the farm becomes primarily that for production and to serve as a base for sustaining the family with a high standard of living.***

"There are several principal consequences of high land value levels which have serious effects for a stable agriculture. For example, if land

is purchased at too high a price, that is at a price that is definitely above the level which the land may be expected to hold over a long period of time, the farmer finds that he has taken an undue proportion of his life savings in order to acquire a basis for his farm operations.

"If, however, as usually happens, credit is used for an important part in the purchase of the farm, with only a small portion of the price being paid in cash, the farmer then finds himself confronted with an obligation, if expressed in terms of dollars bears a fixed rate of interest and requires a payment of a fixed amount of principal, which he may have difficulty in paying under all the conditions found during the long period usually required for the liquidation of the debt. It has been this phase of land value, as reflected by the indebtedness incurred through farm loans, that has given rise to most of the farm debt difficulties since 1920.***

"The interdependence of agriculture and the non-farm population warrants considering the effect of high land values on the consumer. We have seen that the higher the land cost the greater the charge for interest and taxes to be carried as overhead farm expenses. The less the overhead cost in production, the lower will be the product cost to the producer and to the consumer. The consumer stands to gain, therefore, with lower cost and more abundant production, and the farmer will not be in a worse position for any saving which can be affected either through the purchase of the land or in the cost of maintaining and operating it.. Moreover, the less prospect for a land boom, the less temptation there will be for the urban dweller to speculate in land values and the greater use will be made of the land by farmers owning and living on it. When the speculative element becomes an important factor in land values, the farmer pays an extra price in acquiring land, and hence receives a lower return than would be true for other investments.***

"The objection to high land values is not solely that they are high, but also that they are likely to fall, and in their decline force troublesome adjustments. The difficulties may be greatly intensified by the use of credit. If farmers desire to avoid a repetition of past land depressions, they must emphasize the use of such credit contracts as will not too seriously disturb the distribution of family income from year to year.

"If farm land values can be maintained on a stable level so that the planned investment of agriculture is held within manageable limits, farmers may avoid much of their past economic distress and will be freer to give a larger proportion of time, energy, and income to a more satisfactory and more sustained plane of agricultural living."

"What Kind of Land Prices Is Best for
Agriculture and The Nation As A Whole?"
David L. Wickens
Address: November 7, 1935.

Soil Depletion Follows Land Price Boom:--Editorial Pennsylvania Farmer

"The average man who buys this high-priced land will surely be tempted to put all of the acreage possible into a money crop to the exclusion of clovers and other legumes, and when it comes to the question of buying limestone and phosphorus, there is not likely to be any money left for these. Of course this generation may, in many cases, get by without following all of the above practices, but as in the day of the Boston Tea Party, so it has been since--someone has always paid the fiddler. Each generation should pay its full share of the cost of keeping our soils in a high state of fertility."

"Land Speculation"

Editorial

Prairie Farmer

Sept. 6, 1919.

Artificial Expansion Of Land Prices Is Detrimental To Farming:--Editorial

"But an element that is not so good is threatening to intrude into the situation. A veteran farmer in the rich, black soil section of South Dakota writes: "It doesn't require much investment to buy well improved farms, and men are now buying such farms for speculation, at prices below their real value. I hate to see these fine farms get into the hands of speculators, for it is bad for farming." Information of the same nature comes from other localities. Partly this form of buying is due to the bargain prices at which a great deal of land has been available. But an Iowa banker mentions, as another factor, "the feeling that we are going to have a substantial credit inflation and that investment in land is one way of hedging against it." Some of the buying, by city people especially, is attributed to this influence.

"Nothing could be less desirable, from the standpoint of agriculture, than to have land values run up by either speculation or the fear-inspired action of outside capital. All such artificial expansions of land prices in the past have reacted to the detriment of farming. There is nothing in the present outlook that would change this rule. If we are to have a permanent agriculture, land should be capitalized only on the basis of its reasonable earning power in the hands of a capable farmer. And, for safety and the sake of the farm family, it is better that it should be capitalized too low than too high. If recent distressing experience has taught anything, it has taught that fact."

"Land Speculation"

Editorial

Country Gentleman

August 1935.

Concentration Of Farm Lands Into Large Holdings No Benefit:--Johnson, Embree and Alexander

"It is apparent that during times of normal prosperity in the cotton planting industry, since about 1880, the better lands of the South have been progressively concentrated into large plantations under central management. Many of these plantations have fallen into the hands of large creditor institutions, and at the present time enormous holdings are in the hands of a few of these institutions. Whether or not this concentration will continue, will depend upon the future prices of cotton, the continued profitability of the plantation type of farm organization, the success of plantation owners in liquidating the present mortgage indebtedness without dissolution, and the ability of others to recover property they have lost. But whatever view one takes of the system, it is certain that it has not operated to the benefit of those living under it, and future prospects, unless the system is altered, are even darker than the past. In the past the tenant has paid with his labor and his life; later the landlord has paid with his land and his capital."

"The Collapse of Cotton Tenancy"
Johnson-Embree-Alexander
Univ. of North Carolina Press
Chapel Hill - N. C.
1935.

Repression of Agricultural Exploitation:--C. J. Brand

"This title is used in two senses: first, in the sense of keeping land prices within reasonable bounds, and second, desisting from uneconomic extension of farming on marginal lands. The farmer is no different from the investor in securities. He buys land because he understands land. It is the natural outlet for his surplus funds. The amount of land that changes hands each year is not great compared with the whole, probably not more than five to six per cent per annum, if that. Rural bankers, merchants and professional men are far more responsible for speculation in farm lands than are farmers themselves.

"The farmer nine times in ten buys land to use it for productive purposes. The others buy it for a rise. Farm hands and farmers' sons are thus deprived of farm lands at reasonable prices. Not only in America but throughout the world prices of farm lands have for many years been above a price that would be justified by their earning capacity on the average. Only recently the President of Austria, himself a highly trained economist, has made this comment regarding lands in the republic over which he presides.

"In America the tariff has been one of the potent factors in raising the price of land. Thus the most important instrumentality of production is made more expensive to those who would come into the

industry without at the same time rateably affecting the price of products so that the wage return will be commensurate with the cost of the plant. So far as present owners of farms are concerned, if crops and livestock do not make them a fair return they will not complain unduly if lands rise in value so that at the end of a given period they are better off than they were at its beginning.

"The investor in stock-exchange securities worries little if his Pennsylvania holds its own or even recedes a point or two, if his Steel goes up eight or ten points. However, in so far as farming is concerned, we have reached the point where, unless we are willing gradually to descend into a peasant type of agriculture, steps should be taken to keep the price of farm lands in reasonable equilibrium with earning power of land."

"The Price Balance Between
Agriculture and Industry"
C. J. Brand
Reprinted from "The Future of
Prices At Home and Abroad"
Volume XI, Number 2, The
Proceedings, Academy of Political
Science, Columbia University,
New York City.

Farm Products Not All We Need From Land--M. Ezekiel

"Of course there are lots of things that we need to get from land besides farm products. There are grazing for livestock, timber for lumber and firewood, forests and parks for enjoyment and relaxation; there is hunting and fishing and the native birds and animals of the country; and there is protection of our streams and run off of rain; all of these depend on the way we use our non-farm areas. As a whole, it seems that this land should be handled so that it can produce as much of these things as we need with the smallest amount of labor and the least cost to the people of the country. A balanced use of these non-agricultural areas would envisage a proper allocation as between intensive timber production, parks and wild areas for recreation, refuges and breeding grounds for wild life, and desert and wild areas in their native state. If we strip this land of cover and let it waste away by erosion, silt up streams, produce floods, and let it degenerate to gulleying wastes, it will provide none of these things."

"What Kind of Land Policies Do We Need?"
Mordecai Ezekiel
Radio Discussion
March 19, 1935

An Explanation Of The Function Of Zoning--Wisconsin Extension Service

"Because the word "zoning" is so frequently used with variable meaning, a brief explanation should be given. Zoning is a form of public control over the use of property, public and private, in the interest of the general welfare. It has been defined as the creation by law of districts in which regulations, differing in different districts, prohibit injurious or unsuitable structures and uses of structures and land. It applies to structures, to uses of structures and to uses of land. It must, therefore, have a sound constitutional basis or it could not long stand in court against our universal insistence on individual freedom. Zoning has that constitutional basis. The courts of many states, as well as the Supreme Court of the United States, have declared the principle a proper use of the police power.

"Since zoning is a function of the police power, protecting the "public health, safety or general welfare," there is one fundamental requirement in its application, namely, it must represent only reasonable restraints. Certain sections of zoning ordinances have been invalidated by court decisions in the past but always it has been found that these decisions were based on unreasonable restrictions, and not in keeping with the primary objective of zoning. The test of reasonableness is not always a simple one. In general, however, zoning will have for its purpose either or both of the following:

- "1. Control and suppression of uses of land or buildings which have a ruinous effect on established property values in the immediate vicinity.
- "2. Control or suppression of uses of land or buildings which would result in wasteful expenditure of the tax moneys paid by other tax-payers in the same taxing unit.

"The courts have been conservative in approving this power, for they have insisted upon two safeguards. Zoning cannot prevent continuation of established uses without due compensation to the owner; and the zoning order must be comprehensive within the government unit which does the zoning. In other words, existing users cannot be prohibited from continuing present uses, and the zoning ordinance cannot apply merely to one situation within a political unit unless it applies equally to all identical situations within that political unit.

"Zoning, therefore, is important principally as it shapes the future uses of land rather than in attempting to change established uses. In a growing state, and in a growing community, zoning offers an opportunity to control or prevent uses either harmful to property values or burdensome to other tax-payers."

"Making the Best Use of Wisconsin Land Through Zoning"
Extension Service, College of Agriculture,
University of Wisconsin, Madison, Wisconsin.
March 1934

Farm Real Estate Situation, 1934-35:-- B.R. Stauber and M.M. Regan

"For a second year in succession farm real estate values in the principal agricultural sections of the United States have increased. For the Nation as a whole, the Bureau index of average value per acre of farm real estate rose 3 points, from 76 percent of pre-war value to 79 percent. The gains reported during the past year substantiate the reports of gains a year earlier and indicate that continued progress has been made toward overcoming the difficulties attendant upon the previous period of declining values.***

"Changes in value of farm real estate during the last decade have shown a close relationship to changes in income. This is true not only for the principal agricultural regions, but also for the important individual agricultural States.***

"It should be recognized, of course, that there are factors other than income, either gross or net, that affect values. The availability of credit, rates of interest, the supply of farms for sale in relation to the demand for farms, and over a longer time, changes in the technique of production, are all more or less directly related to changes in values. But in recent years income changes have been so violent that their effect has rather overshadowed other factors.***

"Aside from the benefits through interest reductions, the making available of credit in itself had far-reaching effects, perhaps the most important of which was limiting the number of distressed farms and facilitating their withdrawal from the real estate market. In addition, former holders of farm mortgage loans, as well as other creditors, were enabled to improve their financial position.***

"In addition to the low interest rate effective on new loans by the Federal land banks, there are some additional developments that appear to hold promise in the way of contributing to sounder farm-mortgage financing.

"One such prospective development lies along the lines of a differential interest rate, graduated in accordance with the risk on individual loans. In the past, lending agencies have commonly maintained uniform interest rates within a specified region or area for loans made at a given time. It was possible, of course, for the lending agency to compensate for varying risk by raising or lowering the appraised value or the loan ratio (or both) for any specific property, but this procedure did not give the good credit risk the benefit of securing the use of money at a lower rate than the poor risk. The man who was a good credit risk helped pay the cost of lending money to the one who was the poor risk.

"Of especial interest, therefore, is the recent attention devoted to developing a plan whereby individual risks are taken into account in the interest rate charged the individual borrower. Under the plan, classes of risks are established on the basis of a number of risk factors, one of the most important of which is the ratio of the loan to the appraised value. The preferred classes obtain loans at rates of interest consistent with the risk involved.

"The variation in individual risks occasioned by the size of the margin of safety arises in considerable degree from the drastic declines in real estate values resulting from shifts in relations between dollars on the one hand and commodities on the other. Were contracts devised with sufficient flexibility so that loans might be kept in good standing even in times of drastic changes in price levels, a recurrence of the catastrophe of wholesale loss of equities experienced during the last few years might be prevented to a considerable extent.

"A second recent development is here significant. It consists in the adjustment of principal payments on mortgage contracts according to prices received by farmers. The particular contract that has been put into effect in certain of the Corn Belt States calls for a varying amount of principal payment, based on the price of corn on the Chicago market. Although the interest rate is not varied, there is a considerable advantage to both the borrower and the lender in having the principal payment flexible. Larger payments are called for when the farmer is in a position to make them, thus hastening the extinguishing of the debt. With price declines, smaller payments are called for, and, after prices fall to specified minimum levels, no principal payments are demanded. These items are detailed in the loan agreement, and thus the way is open for keeping the loans in good standing and at the same time protecting the contractual rights of both parties."

"The Farm Real Estate Situation, 1934-35."
B. R. Stauber and M. M. Regan
Circular No. 382
U.S.D.A. Washington, D. C.
